

FDIC State Profile

Fall 2005

Maine

Maine's employment continues to expand following the 2001 recession.

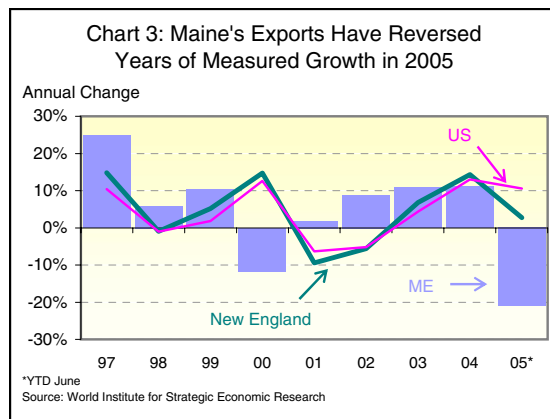
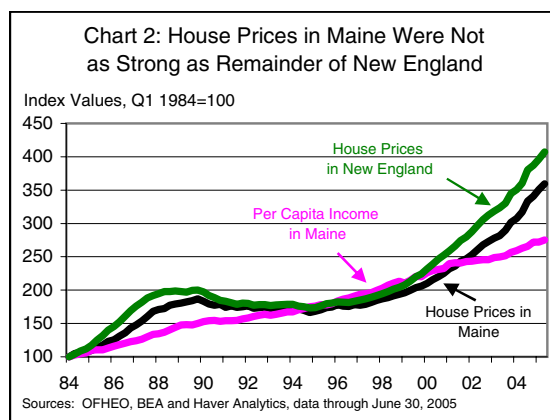
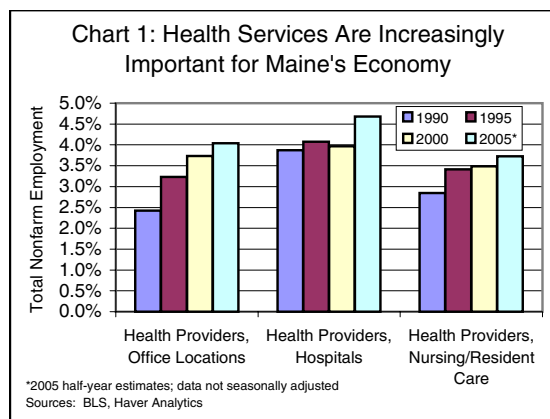
- Maine lost more than 6,000 jobs, or 1.0 percent of total nonfarm employment, during the recession. However, those losses were reversed by the end of 2003. Since then, growth has been ongoing, amounting to more than 8,000 jobs, or 1.3 percent.
- Unemployment in Maine, however, has not declined significantly. It continues to hover at or near 5.0 percent, somewhat above its average for 2004 and near the national rate, which fell to just under 5.0 percent in August.
- The announcement by the Base Realignment and Closure Commission removing the Portsmouth Naval Shipyard from the list of recommended closures is extremely good news for the state's employment picture and overall economy.

Health care jobs have grown in importance in Maine.

- Employment in health services has increased substantially over time and accounts for an increasing percentage of nonfarm employment (see Chart 1). Significant increases have occurred in each of the three major categories: medical offices outside of hospitals, hospitals, and nursing and resident care facilities.
- The state's share of employment in health services is somewhat above the regional average and well above the national. As of the first half of this year, employment in health services was 12.4 percent in Maine, compared to 11.5 percent for all of New England and 9.2 percent nationally. Maine's percentage of employment in nursing and resident care is the highest in New England. This reflects Maine's position as having the oldest population in the region and among the oldest in the country.

House prices have continued to rise rapidly in Maine.

- Since 1984, house prices in Maine have increased much more than per capita personal income in the state (see Chart 2). Increases in house prices through second quarter 2005 averaged 6.2 percent per year, compared to increases in per capita income that averaged 4.9 percent. Declining mortgage rates contributed to the strength in house prices,



as the 30-year conventional rate ranged from a high of more than 13 percent during 1984 to a low of 5.5 percent in 2003.

- Over the four quarters ended second quarter 2005, house prices rose by 13.4 percent in Maine—the third fastest in New England. House prices in the region rose by 13.0 percent, while nationally the increase was also 13.4 percent. These increases have been very impressive, but are unlikely to be sustained given the slower rate of per capita income growth and the upward trends in interest rates.

Maine's export decline should prove temporary.

- The growth rate for state exports had been steady for several years (see Chart 3). The sharp falloff in year-to-date 2005 results is due to comparison with 2004, when Maine's transportation equipment exports grew in the first quarter. Without that single quarter's unusual transportation shipments, the total exports for 2004 would have shown no growth over 2003, but this year's first half exports would be 1.0 percent above last year's. Maine's top three export sectors are computer and electronic products, paper, and transportation equipment, which account for 27 percent, 24 percent, and 4 percent of exports, respectively.
- Electronics exports have not yet reached the levels seen in the late 1990s. Over the last few years, paper's share of total exports has grown as electronics' has declined. Transportation equipment is highly volatile, ranging in the last eight years from 3 percent of total exports to 35 percent.
- In 2004, Maine's exports accounted for 5.6 percent of the state's gross state product, significantly less than the 7.0 percent for the country as a whole. During 2005, the export share has declined further.

Community institutions in Maine remain profitable but mortgage lenders experience earnings pressure.

- Maine's community institutions¹ remained profitable through second quarter 2005, but the community mortgage specialists² continued to experience declines in earnings (see Chart 4). Other community institutions, while reporting improved net interest income, experienced pressure on noninterest income. Net interest margins grew in the last year from improvements in asset yields that more than offset small increases in funding costs.

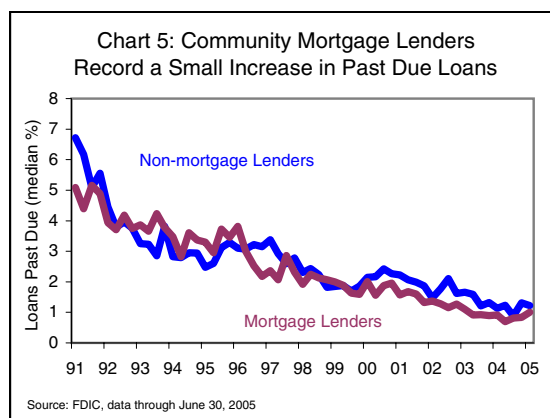
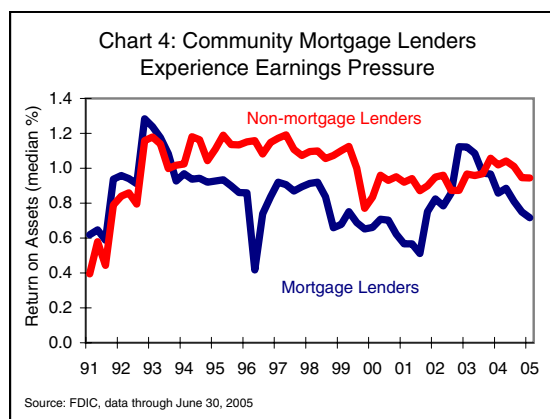
- The state's community mortgage specialists reported further declines in earnings as of June 30, 2005, as net interest and noninterest income declined. Net interest margins also declined as funding costs increased.

Maine's community institutions report low loan delinquencies.

- Loan quality has remained strong since the New England economy began to recover in the early 1990s. The median delinquent loan rate in both the community mortgage specialists and other community institutions was just over 1 percent as of June 30, 2005 (see Chart 5).

The hurricanes could increase energy costs and affect consumer spending.

- The direct effects from Hurricanes Katrina and Rita on Maine's economy were slight, but resulting higher energy costs could be felt for some time. New England already has the highest residential cost per kilowatt hour of electricity in the country. This past year New England was the coldest region in the United States. Even before the hurricanes, a sharp increase in heating costs previously forecast for this year could reduce consumer purchases.



¹Insured institutions with assets of less than \$1 billion, excluding institutions less than three years old and specialty institutions.

²Insured institutions with assets of less than \$1 billion with mortgage related assets greater than 50 percent of total assets.

Maine at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.7%	1.0%	1.5%	1.2%	0.1%
Manufacturing (10%)	-2.1%	-0.2%	-1.4%	-1.5%	-5.8%
Other (non-manufacturing) Goods-Producing (5%)	2.1%	0.5%	2.6%	1.8%	3.1%
Private Service-Producing (67%)	1.0%	1.2%	2.0%	1.6%	0.6%
Government (17%)	0.7%	0.7%	1.1%	1.1%	0.7%
Unemployment Rate (% of labor force)	4.8	4.6	4.4	4.6	5.0

Other Indicators	Q2-05	Q1-05	Q2-04	2004	2003
Personal Income	5.3%	5.5%	6.7%	6.0%	3.6%
Single-Family Home Permits	-8.7%	4.2%	34.3%	22.0%	6.5%
Multifamily Building Permits	0.7%	24.4%	105.6%	33.1%	-34.5%
Existing Home Sales	-0.9%	6.9%	8.3%	9.4%	6.6%
Home Price Index	13.4%	13.9%	12.6%	12.8%	9.2%
Bankruptcy Filings per 1000 people (quarterly annualized level)	4.51	3.21	3.79	3.44	3.67

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	2003
Institutions (#)	37	37	40	39	40
Total Assets (in millions)	46,593	46,569	44,836	43,005	40,266
New Institutions (# < 3 years)	1	1	1	1	1
Subchapter S Institutions	0	0	0	0	0

Asset Quality	Q2-05	Q1-05	Q2-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.04	1.14	1.05	0.88	1.06
ALLL/Total Loans (median %)	1.11	1.13	1.16	1.11	1.18
ALLL/Noncurrent Loans (median multiple)	2.93	2.80	2.74	2.74	2.51
Net Loan Losses / Total Loans (median %)	0.02	0.01	0.01	0.05	0.05

Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	2003
Tier 1 Leverage (median %)	9.40	9.34	9.34	9.19	9.27
Return on Assets (median %)	0.88	0.80	0.89	0.94	0.98
Pretax Return on Assets (median %)	1.30	1.20	1.30	1.36	1.41
Net Interest Margin (median %)	3.77	3.74	3.76	3.81	3.92
Yield on Earning Assets (median %)	5.95	5.79	5.45	5.53	5.81
Cost of Funding Earning Assets (median %)	2.13	1.97	1.70	1.78	1.99
Provisions to Avg. Assets (median %)	0.06	0.06	0.07	0.08	0.14
Noninterest Income to Avg. Assets (median %)	0.63	0.51	0.64	0.66	0.69
Overhead to Avg. Assets (median %)	2.91	2.91	2.95	2.96	3.01

Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	2003
Loans to Assets (median %)	76.7	76.3	73.9	75.7	72.8
Noncore Funding to Assets (median %)	27.6	26.8	26.0	27.4	23.9
Long-term Assets to Assets (median %, call filers)	28.7	27.8	26.6	27.4	25.7
Brokered Deposits (number of institutions)	15	15	16	16	17
Brokered Deposits to Assets (median % for those above)	6.6	3.8	2.8	3.3	2.3

Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	2003
Commercial and Industrial	65.5	59.7	61.8	48.5	61.1
Commercial Real Estate	219.9	224.0	205.4	212.6	194.3
<i>Construction & Development</i>	22.9	20.3	16.0	27.5	18.8
<i>Multifamily Residential Real Estate</i>	9.3	8.1	9.0	7.9	8.6
<i>Nonresidential Real Estate</i>	180.3	176.6	159.1	155.5	154.4
Residential Real Estate	453.2	449.5	433.3	437.9	418.5
Consumer	31.4	29.3	30.1	28.0	30.3
Agriculture	0.1	0.2	0.4	0.4	0.6

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Portland-South Portland-Biddeford, ME	23	7,095	< \$250 million	14 (37.8%)
Bangor, ME	10	1,614	\$250 million to \$1 billion	20 (54.1%)
Lewiston-Auburn, ME	11	1,129	\$1 billion to \$10 billion	2 (5.4%)
			> \$10 billion	1 (2.7%)